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Executive Summary

A study of selected non-governmental organizations (NGOs) was conducted in Sri Lanka in December 1997, at the request of USAID/Colombo, with interest from USAID/Washington in further supporting the growth and sustainability of financial services to the microenterprise sector. Two consultants were retained through Weidemann Associates, Inc.'s MicroServe Indefinite Quantity Contract (No. PCE-0406-1-00-6012-00) to assist USAID/Colombo to gain a better understanding of microfinance activities in Sri Lanka. Weidemann Associates/LAMSCO and CARANA Corporation provided the consultants. The purpose of the study was to identify small and medium size credit and savings programs that are capable of achieving long-term financial viability and sustainability. The study also focused on identifying development needs of such programs to be addressed in working towards sustainability.

There are a number of traits that all of the NGOs viewed in the study had in common. Those are:

- An abiding commitment by leaders and staff to the rural poor.
- A relatively recent entry to the credit arena, as most of the organizations only had active programs for the past two to three years. They are still quite new to the business with respect to a developed credit program.
- Credit is only one of NGOs' many activities. They have a plethora of other useful activities to serve the clients; credit is sometimes seen as an adjunct to the main activities.
- All the NGOs surveyed started with a modest savings program. That is an important part of financial intermediation, if savings are accessible.
- The NGOs have seen village-level training as an integral part of all their activities, and devoted considerable effort to community-based organizational development.
- The organizational structures of both the clients and the NGOs are quite similar.
- None of the organizations have a workable management information system (MIS). The systems are geared to reporting but do not lend themselves to management review and response.
- At present, the credit operations are not self-sustaining. The income revenue generated does not cover the costs of operations once the subsidies are removed. A major cost to the system is currently late payments, which can lead to non-recovery of loans extended.

Solutions to Cross-Cutting Problems

If top and middle management have the tools and training to conduct portfolio performance analysis, they can respond more quickly to success and problem areas.

These tools and training can be brought to bear on a limited number of NGOs involved in credit. It should be tested, on a limited basis, and thoroughly reviewed. The mechanisms to conduct this effort are largely available, but would entail engaging USAID/W in order to reach the objectives of the activity.

There is already a local entity that has the interest and capability to conduct most of the work entailed, but it would require limited off-shore assistance, particularly in the start-up phase.

1.0 Background

There are a large number of non-governmental organizations (NGOs) that are involved in credit and or savings throughout Sri Lanka. There is even a nascent network (Network of Small Scale Savings and Credit initiated under the auspices of the United Nations Development Program, Colombo) emerging of NGOs involved in savings and credit activities. Because of USAID/Colombo, and indeed USAID/Washington's interest in further supporting the growth and sustainability of financial services to the microenterprise sector, two consultants were retained through Weidemann Associates, Inc.'s MicroServe Indefinite Quantity Contract (No. PCE-0406-1-00-6012-00) to assist USAID/Colombo to gain a better understanding of microfinance activities in Sri Lanka. Weidemann Associates/LAMSCO and CARANA Corporation provided the consultants.

2.0 Methodology

One of the primary objectives of the methodology adopted was to give a greater opportunity for the small and medium NGOs involved in savings and credit to participate in this study. The Sri Lanka Business Development Center (SLBDC) played a key role in this regard. Several advertisements were placed in the national weeklies calling for expression of interest. In addition, NGOs involved in credit were sent a general letter to help define which organizations would be surveyed. The NGOs were requested to submit their financial statements and express their interest in taking part in the study. As is pointed out later in this paper and in the individual annexes, the organizations do not possess very detailed financial statements and have relatively little data on portfolio performance. However, five organizations perceived to be successful were selected for initial review, and subsequently three more organizations were included previous to the final version of this study. Meetings with the USAID Division Chief and Project Officer were held previous to the launch of the field work, after the first two organizations had been analyzed, after the second two had be analyzed, and previous to the departure of the expatriate consultant.

It was agreed during this series of meetings with USAID/Colombo that the problems of the organizations were similar and that the report should also include a plan for consideration that might be able to address some of the constraints of the organizations.

Organizations included in this study are the:

Nation Builder Association - Kundasale
Kundasale Community Development Foundation - Kundasale
Samadeepa Samaja Kendraya - Konwewa, Anuradhapura
Sewa Lanka Foundation - Headquarters in Colombo
Sri Lanka Gramashkthi Development Foundation - Anuradhapura
Shanthi Nikethanaya - Matale

National Association of Social Animators - Mahara, Kadawatha
 Sabaragamu Janatha Padana - Niwitigala

Best attempts were made to derive the actual number of active borrowers within each of the programs. Again, credit outstanding was impossible to derive, given that only cumulative figures are available in most cases. In some cases, within the individual organizations reviewed, estimates were made, and are discussed in the annexes. The summary chart below gives an order of magnitude of the organizations. The effective interest rates were derived from discussions with staff members.

Summary Chart of Organizations

Organization Name	Estimated # of Borrowers	Effective Borrower Interest Rate
Nation Builders Association	5,000	24%
Kundasale Community Development Foundation	922	36%
Samadeepa Samaja Kendraya	920	12-36%
Sewa Lanka	15,000*	28-30%
Gramashkthi	2,150	16%
Shanthi Nikethanaya	250	21-60%
National Association of Social Animators	150	48-96%
Sabaragamu Janatha Paadanama	257	22-60%

* Estimate made from nationwide figures

3.0 Key Findings

- Organizational Similarities

For the purpose of this study, the team visited all selected NGOs and detailed discussions were held with key officials in the NGO involved with the financial service activities. These discussions helped the team to identify a set of characteristics and similarities in their savings and credit operations. Not surprisingly, the problems faced by them too were found to be very much in common. The similarities identified are as follows.

Commitment

All of the staff interviewed had a clear commitment to assisting the rural poor. They had all clearly been working directly with their clientele, and voiced sympathy to the general plight. Although some of the organizations had only been founded in early to mid 90s, some of the older organizations had been in operation for 10-20 years. This speaks well of not only the staff, but to the leadership of these organizations as well.

Role of Credit

Nearly all of the organizations had really only come into the provision of credit with the launching of the National Development Trust Fund (NDTF), a governmental program for credit and rural infrastructure development that received assistance from the World Bank. Some of the older organizations had fractional acquaintance with credit provision for item or crop specific lending, but most previous experience was limited to one or two item specific credit, such as tree planting or sewing machine purchase. None of the organizations had begun a program of any magnitude until 1994, with a couple beginning in 1995. However, nearly all of the organizations see the role of credit as being important to their clientele, and none of them claimed to have sufficient resources to meet local demand.

As a consequence of a fairly recent entry into the credit field, there was a broad range of experience to date, both good and bad. Some of the organizations claimed on-time recovery rates as high as 98%. Some others appeared to be as low as 40%.

All of the organizations had a broad range of other types of activities designed to assist the rural poor. Examples of other activities are:

- Environmental Improvement, such as tree planting and soil conservation
- Sanitation, such as latrine building

Health Education

Refugee Relocation and Support

- Income Generation, such as backyard livestock production or clay pot making
- Crises Counseling for Women
- Infrastructure Improvement, such as road building and irrigation construction

- Provision of farm inputs and implements

Role of Savings

The programs that were reviewed all had a compulsory savings program; members were required to have at least minimum amounts of savings such as Rs. 120. (At the time of this study, \$US 1.00=Rs. 60.) Usually after a period of organizational development and savings build-up, borrowers then choose among themselves which member(s) could have access to a loan. While this is a sound approach to financial discipline, there are inherent risks if the management of supervisory level of the NGOs lacks the skills to analyze and monitor the program.

Role of Training

All of the NGOs had obviously devoted considerable effort in working directly with the rural poor in developing individuals into groups. It was stated in a couple of cases that they really only used credit and savings as an entry point to form the groups. The NGO could then utilize the group structure to carry out other activities such as those mentioned above. However, all of the NGOs surveyed noted that once training had been completed, savings accumulated, and credit activities begun, the demand for credit became, and still is, a main demand by the clients.

Organizational Structure

With minor variation, all of the NGOs reviewed were using the same organizational structure to work with their clients. There is generally a designated "credit manager" within the headquarters of the NGO, field workers assigned to specific areas or villages, some grouping or federation of borrower groups at the local level, and "societies" (almost always groups of five individuals) at the base of the structure. There are examples of the local structures that appear in the individual descriptions of the organizations attached to this summary.

Financial Reporting

The NGOs are required by the Government of Sri Lanka to produce an annual, audited balance sheet and profit and loss statement. It was also required that this information be submitted for purposes of being included in this study. While summary information is available, it is next to impossible to really derive what is income from actual credit operations and what may be income from other sources. Some organizations have set aside a provision for bad debt, but this was based on a percentage of interest income rather than looking at the risk history of uncollected debt. Most of the organizations have never made a provision for bad debts in their accounts despite the relatively low recovery rates. In the case of one NGO this rate was as low as 40%. The organizations currently cannot link portfolio performance to their overall financial health.

Sustainability

None of the organizations could sustain themselves without further donor input. The single largest asset by far is their loan portfolio; at present they cannot judge the performance of their loans although derived repayment rates would not allow them to grow. Most of them currently have nearly enough mark-up between cost of funds (savings) that if adequate repayment rates could be reached, they could at least stay static.

At the end of the day, there is financial reporting but there is not actually a management information system.

One more point is pertinent at this stage. The existing systems of reporting and management information of these organizations are conditions to a great extent by the NDTF requirements. AS stated above most of the NGOs have ventured into savings and credit with the assistance and guidance of the NDTF. Collection of data in aggregated form is one such trait. For instance NDTF has requested their partner organizations to submit the total cumulative loan disbursement. This is the criterion of further disbursement of funds by NDTF. NGOs too collect and use the same information in their loan portfolios; this information is meaningless in managing their operations.

4.0 Portfolio Performance and Analysis - A Major Gap

None of the organizations at any level above the groups of societies have the capability to actually monitor portfolio performance. The best they can do is to track outstanding loans, if they saw the importance of it, and record what is actually paid back. There are several useful categories of portfolio performance that can be included; a few key examples are discussed below. This is a minimum list, but are key to letting the organization be aware of not only where they are doing well, but to spot emerging problems before they can actually endanger the financial health of the organization. As with any well functioning management information system, the information has to flow two ways. The management of the NGO, at various levels, has to not only spot problems but also then assist the field officers in carrying out corrective action. One of the organizations surveyed, after retaining a new Executive Director who was formerly a controller, had just begun to set up a system of following up those who made late repayments.

Total Current Borrowers/Outstanding Loans

The organizations reviewed, in some cases, only could indicate the total number of current borrowers and the current amount outstanding. Most of the reports only showed cumulative figures (since inception of their program) in terms of the numbers of borrowers and the total amount of funds extended. Many of the NGOs were making loans of only three months in length, and assuming a number of the "good" borrowers had obtained a repeat loan, one could not derive how many people and how much money was outstanding.

Total Current Savings/Savers

All of the organizations had organized a savings campaign, on the premise of accumulating savings to be re-lent. However, if a portion of the savings (the society's liability) had been lent out, it would be an asset. In simple terms, you would have to be able to determine whether or not there are funds available to be lent out. As an additional complication, one could not derive from the current system how many people had reached the minimum threshold of savings in order to be a potential credit client.

Loans Categorized by Length

The nature of microenterprise finance is generally short-term, high rollover types of loans. However, it is important for any organization to be able to analyze the various categories of loan length and compare that to on-time repayment. Generally it is the longer term loans, especially if payment is delayed to the end, that present the most problems. If a major portion of the portfolio falls into this category, the financial health can go from being quite good to disastrous in a fairly short period of time.

Loans Categorized by Gender

This is a useful categorization for a long list of reasons, but the key one again is to track performance. If women or men consistently outperform the other, it gives management better information in making long term decisions in the direction the organization should be headed. The organizations surveyed had notional ideas of the gender of their clients, but could not define a number with any certainty.

Loans Categorized by Type

There is clearly a broad range of businesses that have obtained credit under the various NGOs, but there is not a way to break down the percentages of each type. Although the categories would necessarily have to be adjusted to each of the NGOs, management can make much better decisions if they are better informed as to how each of the general business areas is performing. An example presented to us was that several agricultural production loans had gone bad during an extended drought, but one could not actually analyze whether it was the farmers themselves or the businesses dependent on them that had experienced difficulties.

Loans Categorized by New and Repeat Borrowers

This categorization is useful for a number of reasons, the main one is to see if your system is growing in terms of attracting new clients or if the program is merely lending more money to the same clients. It is also interesting to note that some programs have actually experienced more problems with borrowers in their second or third cycle than they have with new borrowers; supervision had become lax.

Aging of Arrears

Delinquency and none repayment are the largest contributor to the downfall of an organization. Although they may reflect a *force majeure*, they generally reflect a lack of supervision and follow-up by the staff or the organization leaders. The easiest late payments to collect are the ones that just went past due. Follow up with a borrower who is only one day late, or even a week late, can usually be successful. The problem becomes much worse when a borrower is allowed to go a month or so without being directly contacted by leaders of his federation or the person designated to be the loan officer. However, without a timely management information system, the staff cannot tell for certain if there are late payments and management cannot see if there are emerging problem in geographical areas. It is one thing for a manager to see what was due this month and what was actually paid. It is a far different thing to be able to pinpoint the exact area and the people responsible when there is a sudden jump in late payments. There is any number of ways of categorizing arrears; and example for an individual unit is shown below.

Arrears Aging Report

	1-7 Days	8-15 Days	16-30 Days	31-60 Days	>61 Days
# of Borrowers	7	5	0	1	1
Amount	2,000	1,500	0	800	1,000

Portfolio at Risk

The general theory behind portfolio at risk is that if one payment is missed, all remaining payments should be considered at risk or infected. If a person has a loan of Rs. 5,000 due in five payments, and only the last repayment is late, you are only at risk for Rs. 1,000. However, if that same borrower misses his first payment, the organization is in danger of losing the entire amount.

There are several other ways to analyze the health of the portfolio, but this indicates some of the major categories. While there is not evidence of this sort of analysis being carried out by the NGOs at present, it is not an insurmountable problem. In discussions with the Chief of the Office of Economic Growth and the responsible Project Officer of USAID/Colombo, it was agreed that this summary report on the NGOs surveyed should suggest solutions to major gaps that were identified. What is suggested below is essentially a developmental effort that would

allow the NGOs to reach sufficient financial health so that they could better manage their limited funds and possibly qualify for domestic or foreign capital in the future.

5.0 Proposal to Address the Gap

The observations of the study clearly indicate the need for capacity building in this sector of microfinancing. The Sri Lanka Business Development Center (SLBDC) coordinated this study on behalf of the Network of Small Scale Savings and Credit. An institution such as SLBDC could certainly act as the vehicle to provide services to a limited number of NGOs to test if filling the management information gaps could allow the organizations to reach viability in the future. It is not suggested at this time to provide loan funds, but rather highly focussed technical assistance to 8-10 NGOs over a time span of up to two years. Although this is a limited time frame, it would give the implementing organization time to install some systems and test whether or not the approach has been successful. It is assumed if this combination of information and direct, hands on training helps the NGOs in cost recovery and nearing breakeven with their respective credit operations that the information and skills would essentially be institutionalized and would be able to provide the same services in the future.

- Step 1. Enter into an agreement with the SLBDC to implement a series of activities described below. While adequate office space is available, 1-2 translators (English to Sinhala and/or Tamil) would be required. Modest office equipment for development, reproduction of training materials would also be required, along with a commensurate budget.
- Step 2. Engage the services currently available through MicroServe or similar IQC to bring out, on a temporary basis, someone to develop materials specific to addressing financial and portfolio management needs. That same effort could include the identification of relevant documents available through current and past AID (or others) and establish a modest library of materials relevant to modern microenterprise development within the SLBDC premises. If sufficient demand emerges, that library might need to be expanded during the course of the activity.
- Step 3. Provide funds for the retaining local experts, on a periodic basis, to use the materials and to provide direct assistance to the relevant staff within the selected NGOs. In the best case, those local experts should be engaged briefly near the end of developing the training materials to make sure they are fully aware of the issues being addressed.
- Step 4. Through existing IQCs, bring and retain the services of someone to measure the progress of NGOs having received improved management and analysis skills to achieving breakeven and progress to self-sufficiency. This might be most relevant after a period of 18 months or so of project activity.

While this effort is considered modest, it does seem to fit the needs of the NGOs involved in credit that have been analyzed thus far. The effort would require cooperation between USAID/Colombo and USAID/Washington, but should certainly be achievable in a reasonable amount of time.

ANNEX I

CASE STUDIES

Nation Builders Association Kundasale

1. Background

The Nation Builders Association (NBA), with headquarters in Kundasale (adjacent to Kandy) has been in existence for thirty years. It was founded through a university registrar's efforts, primarily to provide part-time employment to university students during their holidays and off times, but when they could not return home. The organization has always had a heavy emphasis on forestry and reforestation, and still operates a tree nursery. It also has a fairly well developed training and administrative center, which includes housing and a cafeteria, that is used for both its own clients, as well as providing a facility for other NGOs to hold training sessions on a fee basis. The headquarters of NBA has been at its present location for thirteen years.

2. Financial Services Activity

The primary source of funds for their credit operation is from the National Development Trust Fund (NDTF), a government effort supported by the World Bank to support, among several other activities, microenterprise credit. Credit is now an integral part of the activities of the NBA; the credit activities began in earnest in 1995. It should be emphasized that the provision of credit and savings services by NBA to its clients is not a stand-alone program, but is rather seen as a part of a holistic approach to poverty alleviation and income generation and includes providing advice on nutrition, marketing advice, and sewing classes for women.

The approach of NBA to developing clients is through a combination of training, savings accumulation, and group formation. Clients are organized in groups of five. Those base groups meet biweekly with nine other groups (Community Based Organization) for savings collection, loan distribution and repayment, as well as discuss other development needs of the clients. Leaders of this secondary unit then meet monthly with up to 20 other CBOs (a Zonal Committee) to verify repayment records and to meet with the five Zonal Managers employed by the NBA. A separate chart below describes this structure.

3. Training

The NBA sees the training of the potential clients as a critical part of the client's development as a sound borrower and saver. The borrower must attend a series of bi-weekly meetings over to discuss both the financial services of the NBA as well as other support services offered, such as reforestation, health, and sanitation. The potential client has to save at least Rs. 120 over the six months to become eligible for the program, as well as to be a valid member of his/her basic group.

4. Group Formation and Responsibilities

Following the group's six month savings build-up, the group mutually selects which of its members will become eligible for obtaining credit funds. A client must have at least Rs. 120 in savings and purchase shares in NBA equivalent to 10% of her/his loan. Any member that is selected also has to obtain the signed guarantee of two other members of the group, generally referred to as "cross-guarantors".

Discussions with the NBA management indicate that to this point in time, the groups appear to be fairly stable, without much transferring of individuals from group to group. The entire group is responsible to put pressure on peers who do not make a timely repayment. The structure of the NBA's financial services program makes the group primarily responsible for not only selection and supervision of borrowers, but carries out the bulk of the work related to collecting and recording savings accumulation and loan repayment, although the overall data is assembled at the NBA headquarters. NBA estimates that there are currently about 5,000 borrowers in 1,000 groups. Only five zonal managers among the total NBA paid staff are devoted to this activity. They supervise 5,000 borrowers, although there are a number of "animators" that work on a part-time basis.

The NBA is experiencing some late payment to date, with about a 91% on-time repayment, and has noticed that by having its staff make direct follow-up that repayment performance can be enhanced.

Although the NBA has not been required to disaggregate its clients by gender, it appears that the large majority of borrowers are women. Discussions were held with one of the board members who thought that a program geared exclusively to women might be more successful.

5. Credit Products

NBA offers two basic credit products, a short-term loan of three months or a long-term loan of six to twenty-four months.

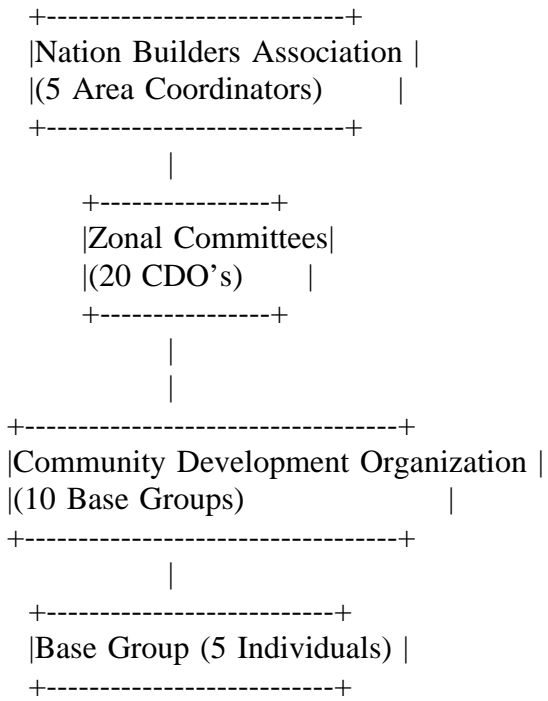
The short-term three-month loan generally requires three monthly payments, although a small portion of the loans is for agricultural production and only requires one payment. The short-term loans are available in the Rs. 2,000-5,000 range, with most of the loans reviewed appearing to be about Rs. 3,000. Interest charged is 5% per month, based on a declining principal, which imputes a 60% per annum effective interest rate. The mandatory savings bear an annual interest rate of 12%.

The long-term loans are titled "business loans, and generally require monthly payments. Loans are available up to twenty-four months, and carry an annual effective interest rate of 24%. Data at the central level does not disaggregate the types of loans.

6. Management Information System

The NBA has not been introduced to a MIS that can allow comprehensive analysis or management tools to review data. Nearly all of the funds available for the credit program are from the National Development Trust Fund. The NDTF does require repayment of the funds invested in credit *per se*, but has also provided operational capital for items such as training and staff support. The NDTF has only required cumulative disbursement data and that funding is coming to an end as of December 1997. Data on disbursements and collections is only compiled on a monthly basis. All records are recorded manually.

Nation Builders Association
Credit Program Structure



Total Clients 5,000

Kundasale Community Development Foundation
Kundasale

1. Background

The Kundasale Community Development Foundation (KCDF) has its headquarters in a modest office in Kundasale, near Kandy. It was registered in 1980 as a Non-Governmental Organization and appears to have begun receiving foreign and domestic assistance since 1987. Since that point in time, KCDF has received funding from the Sri Lankan government, Australia, Canada, Norway, the Netherlands, Sweden, and the World Bank. These entities have sponsored activities in sanitation, water quality, support to women Gulf area returnees, animal husbandry, soil conservation, social mobilization, gardening and income generation, and credit, totaling some 21 sub-project activities.

2. Financial Services Activity

Credit activity was begun in 1994 with funding from the National Development Trust Fund, although the staff indicated that it had some minor involvement in credit previous to the NDTF initiative. The KCDF reports that it currently has 922 active clients with about Rs. 1.8 million outstanding in active loans. The KCDF provides a wide range of services to its clients, with credit being only a part of its overall activities. For a client to become eligible for credit provision, there is a mandatory savings component (Rs. 500 over six months) as well as a requirement to purchase Rs. 100 worth of shares. Savings accounts earn 10.5% per annum.

3. Credit Products

The KCDF provides two basic loan products, "short term" and "project" loans. Short term loans are available from Rs. 500-3,000. The term of the loan is three months with three installments. They bear an interest rate of 3% per month, based on declining balance, or 36% per annum effective.

Project loans are available on an expanding basis, depending on successful repayment.

1st Loan	Rs. 7,500
2nd Loan	Rs. 10,000
3rd Loan	Rs. 15,000
4th Loan	Rs. 20,000

"Project" loans bear an interest rate of 21% annual effective, generally with monthly repayments.

4. Group Formation and Supervision Structure

The KCDF has evolved a fairly detailed structure that currently entails a rather large number of paid employees. The KCDF forms groups of five clients; each of the 220 groups has an "animator" that receives Rs. 500/month. These base groups are then organized into "zones"; KCDF currently has 21 zones, each with a Human Resource and Development Coordinator that receives Rs. 2,000 per month. The 21 zones are divided into 6 divisions, each monitored by an Account Clerk employed by the KCDF. The Account Clerks visit with their respective divisions on a weekly basis, each Wednesday. A Credit Manager supervises the six Account Clerks.

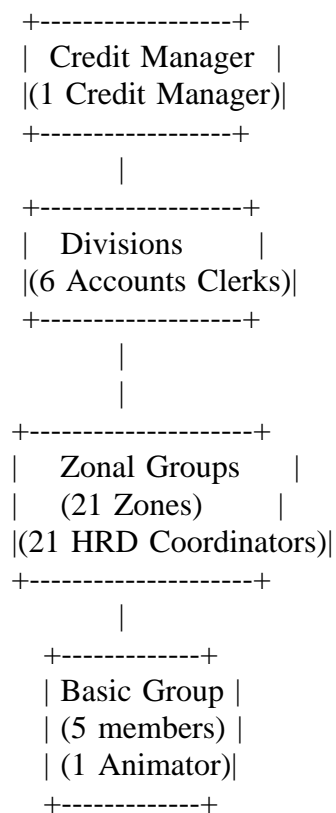
At present, about 250 paid employees are responsible for organizing and supervising 920 borrowers. An organizational structure for the financial services activity is shown below in a separate chart.

The "animators" and "HRD Coordinators" are currently paid out of operational expenses supplied by the NDTF; NDTF funding ceases in December 1997. The management staff interviewed expressed the hope that these people would continue to provide services even after they no longer received payment for their services.

5. Management Information System

The MIS utilized by the KCDF is strictly manual, although considerable detail is contained within the accounts. It appears that accounts are carefully recorded and updated on a weekly basis. The National Development Trust Fund only demands cumulative reporting on the loans and savings products, but sufficient detail is available at the headquarters to give at least a summary picture of loan activity. It appears that about 98% of loan amortizations are being made on-time and in-full, which certainly reflects well on the people responsible for carrying out the activity.

Kundasale Community Development Foundation
Organizational Structure for Financial Services



Sewa Lanka Foundation

1. Background

Sewa Lanka was founded in 1992 with project activities really beginning in 1993. The headquarters is located in Colombo, but they currently have activities in six districts throughout north and east Sri Lanka. Sewa is operational, with district offices in Ampara, Anuradhapura, Trincommalee, Vavuniya, Matale, and Nuwara Eliya. Other than the savings activity that they support, Sewa Lanka is heavily involved in refugee resettlement (with support from UNHCR), building of water tanks and irrigation systems, land clearance, some grant funded income generation projects, nutrition, supply of farm inputs and implements, and school rehabilitation. Sewa Lanka has received assistance since its inception from Deutsche Welthungerhilfe, generally referred to as "German Agro Action".

2. Financial Services Activity

Sewa Lanka has taken an intensive approach to community-based organization. The field staff goes through a lengthy series of meetings and organizes groups of five families into "societies". When the group is initially organized it becomes "Stage 1", and after maturing a bit further, is designated as a "Stage 2" society. Stage 2 societies are then encouraged to begin to accumulate savings with the ultimate objective of being able to borrow from the fund. "Stage 3" groups would have access to outside funds; over 5,000 families are judged to have reached this level.

Sewa Lanka has developed a training series, which includes the proper handling of passbooks by the individuals and books of accounts at the higher levels of organization. According to the information provided, some 23,000 families have accumulated about Rs. 16 million, or a little over Rs. 1,400 per individual.

Sewa Lanka found a unique way to add to the overall pool of funds available for re-lending. Through the infrastructure development activity of the National Development Trust Fund, funds were provided for local initiatives like road building or rehabilitation, irrigation improvement, or other labor intensive work. Sewa Lanka helped the local groups identify activities that would have at least 60% of project cost budgeted as local labor. After the project was completed and the funds were released, Sewa Lanka allocated 10% of the labor cost to be put into the savings pools of the societies. For its organizational input, Sewa Lanka retained 5% of the total amount allocated for labor.

Sewa Lanka has also attracted funding for microenterprise credit (Rs 2 million) at the national level, for which it pays 7%. It then lends to its federations (at the district level) at 18%. The federations then lend to the individual societies at 22%, which in turn makes funds available to the individuals at 24% per annum. (The societies retain 5% of the original capital, which would make the effective rate nearer 30%.)

3. Training

Sewa Lanka prides itself on its "social development/human resource development" programs. Intensive work by both the staff and volunteers is carried out by the organization to help people identify their needs and then to address them. The societies, throughout the country, are involved in a wide variety of activities, as described above, and certain levels of technical training are provided for each of these activities. The groups are also the focus of educational efforts such as nutrition, sanitation, and health.

4. Group Formation and Responsibilities

With respect only to the credit and savings activities, the groups are largely autonomous; a Stage 4 group would be considered to be able to continue on their own with only slight assistance from Sewa Lanka. The individuals in the group can choose who is to receive a loan, what the usage should be, the loan term, and the interest rate. However, the societies themselves are being strongly encouraged to develop more into a hierarchy of organization, where the various societies will join together in federations and even form an overall grouping at the district level. There is a theory that somehow developing larger "groups of groups" or federations will make larger amounts of capital available (beyond accumulated savings) for lending. This is possible if a lending institution wished to lend to these federations, but at this point in time that is still in the discussion stage.

5. Credit Products

At Sewa Lanka, the district office acts as a conduit for refinancing. District Office lends money borrowed from the head office to the Sewa societies at 21% p.a. This society office doubles as a Sewa bank and onlends at 24% for its borrowers both groups and individuals. The banks are autonomous institutions and decide independently. In addition, the banks have also introduced pawn brokering advance on which 5-8% p.m. is charged. Usually assets such as bicycles, TVs and radios etc are pawned.

Savings are paid 12-14% p.a. by the Sewa banks

At group level the spot emergency loans are given at 3-5% p.m. savings within the group do not attract any interest, but funds are used for lending among group members.

Sewa societies are combined at Divisional Secretariat level to form the Federation. The Federation does not have any administrative role.

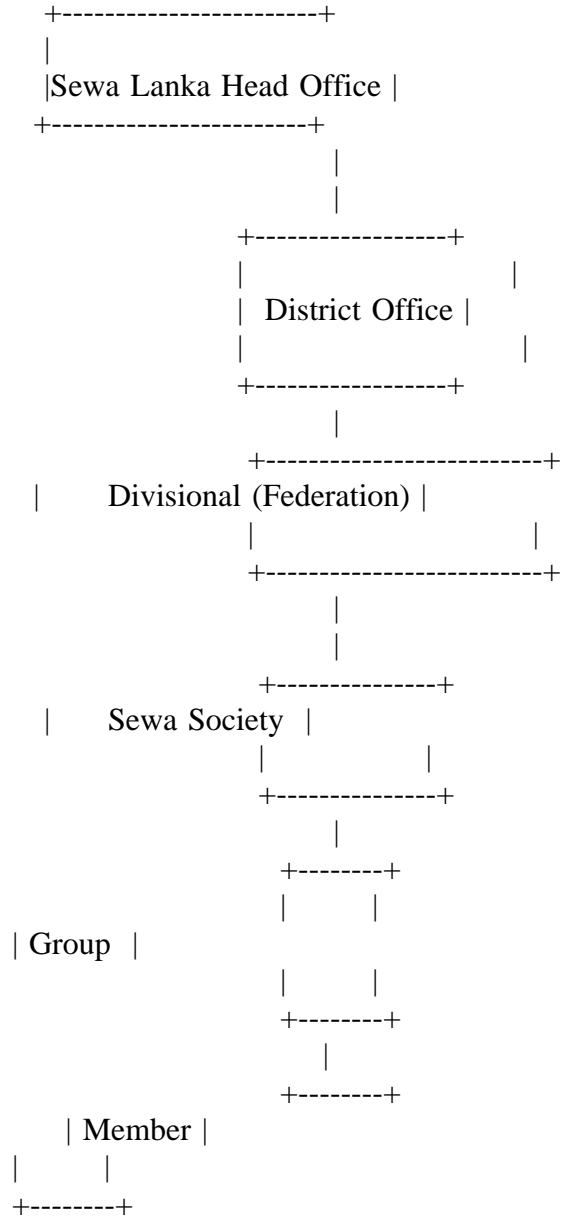
6. Management Information Systems

There is cumulative data available, such as the total amount that has been saved or cumulative lending to date. Data on credit (as well as the whole range of other activities of

Sewa Lanka) has been computerized at the six district levels where the organization is active. That data is then compiled at the national level, although there is no evidence of the information being passed back down the line. Again, most of the data is in the form of reports rather than being able to be usefully treated.

Loan data is not disaggregated by gender, loan length, period, or assumed use. Although there is anecdotal information regarding late payment or default, there is no accurate way of carrying out portfolio analysis. There are both draft and audited year end financial statements. At the national level, the financial data appears to be three to four months behind, and are only cumulative figures rather than being able to break out the actual income and expenses of individual activities. In fairness, most of the staff are responsible for several different activities, but it would be useful to have the information on an allocated basis. At present the organization seems to be complying well with the requirements of the donors in terms of reporting.

CREDIT STRUCTURE



Samadeepa Samaja Kendraya Anuradhapura

1. Background

Samadeepa Samaja Kendraya has been in operation since 1980 as a social service organization with the objectives of promoting unity among different ethnic groups in Sri Lanka and to engage in development related activities. Its development objectives included both welfare activities such as food, clothing, shelter and education etc. Savings and credit have been recognized as a primary activity in its development agenda.

Samadeepa's registered headquarters is in Konwewa in the Anuradhapura District and its coordinating (administrative) office is in Anuradhapura. Presently there are over 7500 members of whom 75% are females.

2. Financial Services Activity

Samadeepa's credit and savings activities have expanded after 1994 with the assistance of NDTF. However, presently the assistance from NDTF is relatively small and as a result credit lending operations are supported by several funds maintained by Samadeepa. These are used for different lending purposes.

Despite having a total membership of over 7500 members, current borrowers are only 920 and the recovery rate is as low as 65%. This is after allowing for certain loan type which do not require monthly repayments.

Credit organization structure at the bottom level starts with village units may consists of members from 3 to 49 or less than 50. Three full time field coordinators work at this level. Next layer is the divisional committee (.....nos..) and this has at least one representative from each unit. An advisory committee of 100 members is elected from the divisional committees annually. At the coordinating office there are the finance officer and the credit coordinator assisted by an accounts clerk. Finance officer is also the treasurer of Samadeepa.

3. Training

Under its other program activities Samadeepa conducts training to its beneficiaries. However no formal training in credit and saving provided. At village level field coordinators work closely with new village units in guiding them at their formulating stage.

To qualify for loan members are required to attend meeting of the village units regularly for 3 months. Members should also pay for the shares (Rs.100.-) and save with the unit during this

period. For individual and group loans the savings respective requirements are 10% and 20%

of the loan size.

4. Group Formation and Responsibilities

Groups are formed at village level under the guidance of the field coordinators. The members elect key officials such as the president, treasurer and secretary. Membership as a whole decides on the interest rate on loan product within the group. Applications for credit facilities from the head office are recommended by the village unit committees and approved by the divisional credit committee. However a final approval from the credit management committee too is required.

Credit Products

Loan types are;

Type of Loan	Source of Fund	Period (repayment)	Amount	Interest (Service Charge) p.a.
Development Loan	Community Development/ Project Fund	1-2 years	Rs.2,500 to 25,000.	24%
Business Loans	- do -	1 year	Rs.100,000.-	36%
Welfare	Welfare Fund	3 months (in full)	< Rs. 2,000.-	12%
Transport (Staff)	Transport Fund	2-5 years (monthly)	Rs. 4,000.- to Rs.200,000.-	12%
Education	Education Fund	1 year (in 1 year)	Rs.2,000.-	12%
Emergency	Group Fund	1 month	Rs.1,500 to Rs.5,000.-	5% p.m.

Savings are raised in the form of group deposits and children's deposits. Individual deposits attract an interest rate of 12% p.a.

Of the above loan schemes, most active are the development loans given for income generating activities.

Processing of a loan application takes an average of 30 days.

5. Management Information Systems

Samadeepa has a monthly reporting system by the divisional offices. However most of the information has been formatted to meet requirement for reporting under the NDTF credit facility in the past.

The information collected does not present key management information such as recovery rates, portfolio size and its quality and age analysis of loans in arrears etc.

In maintaining records for its activities, a common set of records is maintained. As a result credit related accounting too are amalgamated with other project accounting. Further accounting for income is done on accrual basis but not provisioning for bad debt is made.

Sri Lanka Gramashakthi Development Foundation

1. Background

Gramashakthi is a NGO based in Anuradhapura district engaged in activities such as Environment and reforestation, Children Welfare and Pre School and Savings and Credit. Established in 1994 under the guidance and initiative by a former rural development officer who is the managing director, Gramshakthi presently works in five divisional secretariat areas in the Anuradhapura District namely Rabewa, Galenbidunuwewa, Kahatagasdigiliya, Palagala and Villachchiya. Current membership of Gramashkthi is estimated to 2150 of which 90% are females.

Gramashakthi is registered as a non-governmental voluntary organization with the department of social services and has a full time staff of 8 with shared responsibilities.

2. Financial Services Activity

Financial service delivery structure of Gramashakthi consists of four layers. The foundation provides funds to divisional banks (14%) that on lend to rural banks at the same rate. Rural banks lending rate to the borrowers is 16% p.a. on reducing balance.

Loans are provided mainly for agro-activities (i.e., cultivation, equipment, agro wells, and animal husbandry). This consists of approximately 75% of the portfolio and has a repayment period of less than 6 months within which to be settled in full. Balance portfolio is dominated by self employment loans, which are repayable over a period of 12 months in equal monthly installments.

To qualify, a prospective borrower should be a member for at least 3 months with a savings record. For the first loan, a savings balance equivalent to 10% of the loan should be retained till the loan is paid in full. From the second loan onwards this is increased to 20%.

Savings are collected at group level and at divisional bank level as individual savings. This is estimated to be Rs. 0.7 M and 2.0m respectively at present.

At an early stage of operations, Gramashakthi has disbursed loans through the government sponsored Participatory Rural Development Project (PRDP), an institutional borrower engaged in micro finance. However this has been stopped recently due to difficulties in coordinating recovery activities. Gramashakthi claims to have given credit to over 5,000 loanees despite its total membership of 2155 as of end September 1997.

3. Training

Being a relatively new organization, very little effort has been directed towards training. Staff members on recruitment receive a two-day orientation and training remains mainly on the job.

No beneficiary training in credit is provided now.

4. Group Formulation

Groups are formed under guidance of development assistants and area coordinator. A group may consist of 5-7 member representing similar number of families. These groups are combined at Grama Sewa Wasam level to form rural banks. Members of the bank appoint a manager for the bank who is paid an allowance equivalent to 2% of the interest collected. (Rs.300. per month approximately)

Approximately 90% of Gramashakthi's membership are estimated to be female.

5. Management Information System

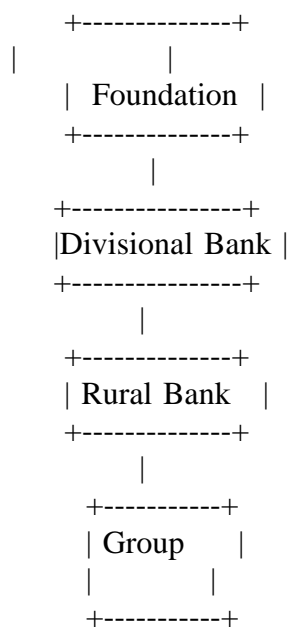
At the head office level a monthly financial report is collected from each divisional bank. This is a summary of the cash book for the particular month.

In financial accounting the Gramashakthi Foundation's account consolidates, account of the divisional accounts only. This too is through a current account maintained for each division in the head office books. Therefore, the portfolios of credit and savings are not incorporated in the accounts thus leaving out a key management information.

No other reporting is in operation presently. Therefore no evaluation of portfolio quality or appropriate provisioning for doubtful debts are made.

A recovery rate of 85-90% is estimated based on the calculations by the managers of rural banks.

Credit Structure



Shanthi Nikethanaya - Matale Elders Benevolent Society

1. Background

Shanthi Nikethanaya (NS) has commenced its operations as a social service organization in the Matale district in 1990 primarily providing welfare services to the elders living in the area. In 1992, this was registered as a social service organization with the Central Provincial Council. Since then the organization has diversified into other social development activities. Under the assistance of the NDTF, a credit and savings program was launched in addition to a range of activities including Environment, Children's societies, and Elders Welfare and Development assistance to the local industry via group activities and social mobilization and marketing.

2. Financial Service Activity

Organization of the credit and savings program is in a linear structure. At the bottom are the members are presently number as 6120. The members form the groups of 5-7 members. These groups are organized again at GramaSewa level to form management committees. Management committees are re-grouped at divisional secretariat level which report to the head office credit unit. At the head office level a director board is formed to supervise the credit function. This board consists of the President, Secretary, Treasurer (who is also the Credit Manager) and representative members of each area of activity. These are 2 members from divisional committees, Human resource Development Coordinator and the area coordinator of the Division.

A loan application is processed at all these levels and usually takes not more than a month for approval. Final approval with the head Office Director Board. Whilst disbursements too are done at the center (i.e. head office level). Recovery of loans however, is delegated to the divisional level. The village management committee president makes collections but no receipts or acknowledgements are issued in most cases until the money is sent to the head office. However, this responsibility of issuing receipts has been delegated to 3 village management committees recently.

To qualify for a loan, it is necessary to be a member for a minimum of 3 months and to have one third of the loan amount in savings.

SN at head office level maintains several accounting records. They are; Cash book, Ledgers for project loans and small loan ledgers, Register of loan installments, interest and group reserves and a Daily deposit resister. Members are issued with a common pass book for savings, loan and shares.

3. Group Formation and Responsibilities

The area coordinator initiates group formation with the assistance of human resource

developers after a preliminary study. These groups are autonomous and responsible for savings and credit functions at group level. With the introduction of the competing Samurdhi program in 1996, group formation activities have been extremely slow with very few new groups being formed. Members qualifying for Samurdhi program, thinking that the credit under the NDTF would not be called backed by the Government and a reduced number of human developers due to financial constraints are identified as the main reasons for this, resulting in bad recoveries. SN claims that this negative trend has now been reversed through education and awareness building.

4. Financial Product:

SN offers three savings and two credit products to its members.

Savings consist of Individual savings. Group savings and Children's savings. Individual and group savings are offered at 11% interest per annum whilst Children's savings are offered at a higher rate of 14% p.a.. As stated previously, to qualify for a loan, a member should have at least one third of the loan amount in savings.

Short-term loans at group level and project loan are the two types of loans available to the members. Short term loans, approved and disbursed by the group itself carries a rate of 5% per month and repayable within an month. Maximum loan size is Rs.1,000.-

Project loans disbursed by the head office at 21% per annum on the reducing balance are payable within 12 months. The maximum loan size of RS.20,000.-.

As of June 1997, NS had a credit portfolio of Rs.0.5 M and about 250 active clients. However latest figures were not available. Savings portfolio as of end October was estimated to be Rs. 0.8M approximately. Although NS claims to have maintained a recovery rate of 92% in 1997 (after registering 88% in 1996) no records were available to substantiate this claim.

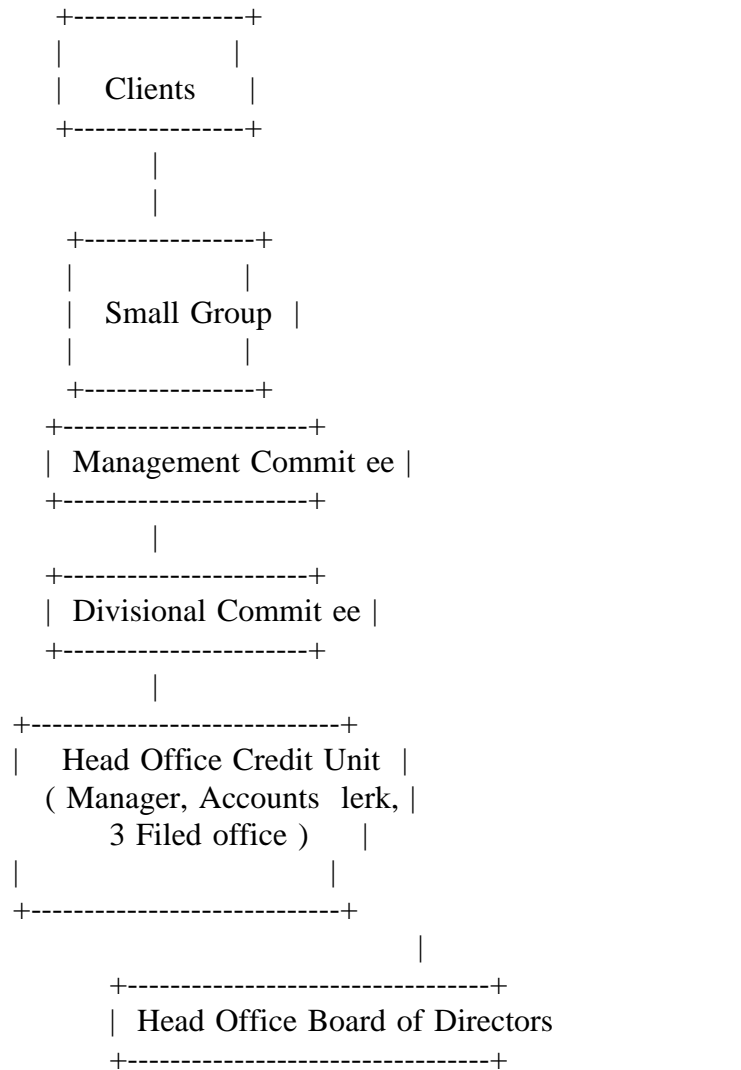
No financial statement has been prepared since 1995 and this remains a main obstacle in assessing SN's performance.

5. Management Information System.

NS does not collect any information in detail for management purposes. Thus there is no properly developed management information system in operation. Understanding of MIS by the senior people is limited to information such as income structure, family and socio-economic data in the villages. As in the case of other credit and savings NGOs, at NS information collected is aggregated data and not analyzed. For instance the key portfolio information is the loan disbursement figure.

NS is supposed to maintain the loan disbursements, recovery rate and follow up action program at the head office. However these were not viable for inspection during the study visit. Further, this information are not collected from village group level and no training is provided in this regard. Therefore there is a strong need for proper exposure and training in this scenario.

CREDIT STRUCTURE



National Association of Social Animators
Mahara, Kadawatha

1. Background

National Association of Social Animators (NASA) has its head office in Mahara in the Western Province. NASA established in May 1993 was first registered with the Department of Social Service. Subsequently a second registration with the Social Services Commission has been made in 1997. NASA has commenced operations in the Minuwangoda, Divulapitiya, Gampaha and Ja-ela Divisional Secretarial divisions in the Gampaha districts in 1993. However, it has moved away from these areas and presently is in operation in the Biyagama, Kelaniya, Mahara, Homagama and Hanwella divisions.

The key objective of the NASA is to contribute to the development of the low income earners in their areas. In this regard it engages in Social mobilization for group formation, Human Resources Development through training and vocational training and Savings and credit programs for their membership.

2. Financial Service Activity

NASA has commenced its financial service activities in 1993 with the assistance of the NDTF and has used the group methodology in his process. It has over 6000 members but the active loanees of the program are less than 150.

Financial Products

NASA has commenced its savings activities as the first step in their financial services activities. Savers qualify for subsequent credit assistance. Prospective members are supposed to deposit Rs. 100.- month for a minimum period of two months to qualify for a loan from NASA. Groups of members of NASA at divisional level were called Investment Societies, which provided loans up to 5 times the savings of the member. The amount of loans ranged from Rs.3,000- to Rs. 10,000 and was charged a flat rate of 24% p.a.. However these investment societies are now defunct and NASA grants loans directly from the head office now.

NASA also has another savings scheme called entrepreneur savings which carries an interest rate of 12% p.a. Depositors pay an initial registration fee of RS. 50.- and deposit a minimum amount of Rs. 100.- per month. Group savings with the head office are also paid the same interest rate. These deposits are collected by the credit manager and field staff on pre-determined days and deposited into their accounts.

NASA provides two types of loans from its office.

Emergency or instant loans are given at 8% p.m. flat, repayable over a period of 3 months. Provision of collateral is a key conditions and assets are often taken in this regard. NASA holds title of the assets during the loan period.

Self employment loans ranging from 3,000.- to 10,000.- are issued at 24% p.a. flat rate are repayable over a period of 36 months. In this case too project assets are often accepted as collateral.

NASA has also introduced a special financial package for emergency health purposes. Members for this scheme pay a registration fee of Rs. 500.- but members qualify for an emergency loan not exceeding Rs.5,000.- at 10% p.m., flat basis repayable over 18 months.

In all loans, 5% of the amount is set aside for an insurance fund.

In its latest audited accounts for the financial year ending December 31, 1996 NASA reported a loan portfolio of Rs.4.068m of which 2.54M represented the unaudited loan component at small group level. However as of October 1997, the total outstanding of loans was Rs.1.069M among less than 150 clients.

3. Group Formation and responsibilities

The field officers initiate group formation. Small groups of 5 members are combined to form the societies. At small group and society level members appoint office bearers. Though the number of officials in these autonomous bodies may vary, key officials such as presidents, secretaries and treasurers are considered as the minimum requirements. Presently, there are 10 field officers working under two managers.

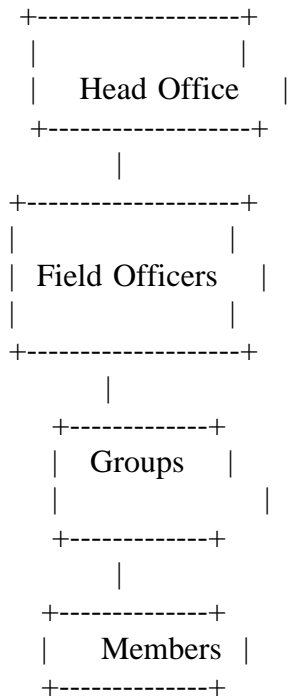
In the recent past new group formation has been come to a stand still as NASA's credit recoveries fell as below as 40%. This has resulted in special focus on recovery and consolidation rather than expansion. However according to the president of NASA this has become an extremely difficult task due to resource constrains, specially field officers are finance.

Presently salaries are not paid to the field officers. Instead, 5% of interest and loan recovery is paid as an incentive. Although this scheme is in operation, a cost analysis and impact assessment has not been done prior to its implementation.

4. Management Information System

The information collected for management decision making is very much similar to other cases in this study. Most of the information available is aggregated data and serves very little in decision making. Although NASA has collected information from the field at various times and levels in the past, presently this is not coordinated well and remains much to be desired at this crucial stage of recovery.

CREDIT STRUCTURE



**SABARAGAMU JANATHA PADANAMA (SABARAGAMU PEOPLE'S
FOUNDATION)
NIVITIGALA**

1. Background

Sabaragamu Janatha Padanama (SJP) is registered as a NGO with the department of social services primarily engaged in social development activities in the Sabaragamu Province in Sri Lanka. Established in 1991, SJP was engaged in providing social service and welfare facilities to the beneficiaries. Under its social development program groups were formed to carry out various activities at village level. In 1994, JSP became a partner organization of the NDTF and have been receiving assistance. In 1995 May, its credit and savings program was introduced to the members who were already working within the group framework.

Presently JSP operates in two divisional secretariat areas namely Nivitigala and Elapatha covering 44 villages.

2. Financial Service Activity

In savings and credit SJP uses the group methodology. Initially the size of the group was about 10 members but in 1995 this was split in to two to have not more than 5 members to a group. Groups are combined at GS level to form a village society. Village societies within the zonal offices established at DS level. Zonal office also functions as the bank branch of the head office. Presently there are 1154 groups with a membership of 7258 members and 8 zonal offices (banks).

Up to 1995 it has been the practice to maintain savings at group level. The group leader maintained a pass book. However, in 1995 this has been changed and the members are requested to save directly with the SJP's bank. From the program's inception, the branch has always handled credit.

Financial Products

Financial products of the SJP are offered at two different levels.

At group level no savings other than the membership fees are collected. The maximum contribution from a member is Rs.100.- and no interest is paid. Within the group spot emergency loans are given at 20% p.m. As groups are autonomous, loan size is determined by the members depending on available group funds.

At zonal level, three types of savings are offered namely, Children's, Group and Individual which carry the same interest rate of 12 % p.a. on the minimum balance calculated quarterly. In the case of children's savings withdrawals are not allowed until the age of 18 years.

Emergency spot loans issued by the zonal bank not exceeding Rs.7,500.- are payable within a month and carry an interest rate of 5% p.m.. Long term loans given for the purpose of productive investments have a repayment period of 1-2 years and the interest rate is 22% p.a. on reducing balance. The size of the loan ranges from Rs.5000.- to 30,000. There were 257 long term loans outstanding as of end October 1997.

3. Group Formation and responsibilities

The human resource developers (HRD) initiate group formation. After initial assistance groups function as autonomous bodies but maintains a regular contact with the HRD. In the case of loan from the zonal bank, the HRDs who are attached to the bank play an important role in assessing the applicant. Each zonal office has a accounts clerk and a HRD who report to the credit manager at the head office.

The loan application begins with the collection of the issuance of the forms by the HRD who forwards the complete application with his recommendation to the Pradeesheeya committee. It is processed through the GS Wasam committee, zonal committee and finally the credit committee. The entire process takes a minimum period of 10 days to a month.

4. Management Information System

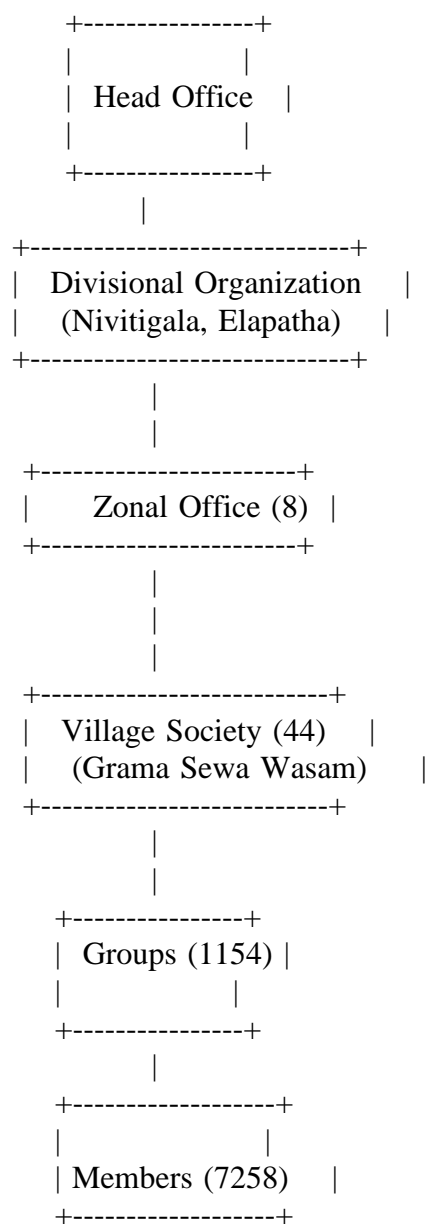
Collection of information from the field by the head office is limited to the requirements for reporting purposes especially for NDTF. This information comes mainly from the zonal office. Main information collected includes the loans disbursed, revenue for the month and total expenditure. Whatever the recoveries are stated without identifying what is due and calculating the recovery rate at zonal branch level.

SJP claims to have a recovery rate of 90% in the credit operation.

5. Training

Training of clients and staff members are mainly done on the job. However in the past NDTF has provided some short term training to its staff.

CREDIT STRUCTURE



Nation Builders Association
Income and Expenditure Statement for 15 months to 31 December 1996
Development Credit Project

Operating Income		
Interest Income	99744	
Savings Income	5507	
		105251
Operating Expenses		
Interest expenses	1220	
Loan loss provision	19949	20% of interest income, not based on ana
Bank charges	78	
Personnel expenses	201000	Estimate
Consultancy Income	20000	
Depreciation		
Stationery	23400	
Fuel	7000	
Postage	50	
Refreshment	1000	
Advance Withdrawals	118278	Funds advance to repay over d
		391975
Net Operating Income		-286724
Non-operationl Income		
Insurance	1375	
Stationery	9159	
Other receipts	23300	
Membership Fee	4344	
NDTF Salary	201000	239178
		-47546

Nation Builders Association
Balance Sheet As At 31st December 1996

Fixed Assets

Current Asset		
Loans	681969	
Bad debt provision	-19949	
Cash at Bank	60912	
Cash in Hand	48041	
		770972
Current Liabilities		
Deposits	783424	
		783424
Net Current Assets		-12451
Net Total Assets		-12451

Finance by

Nation Builders Association
Balance Sheet As At 31st December 1996

Fixed Assets

Current Asset

Loans	681969	
Bad debt provision	-19949	
Cash at Bank	60912	
Cash in Hand	<u>48041</u>	
		770972

Current Liabilities

Deposits	<u>783424</u>	
		783424

Net Current Assets -12451

Net Total Assets -12451

Finance by

Community reserve fund	35092	
Income and Expenditure	<u>-47545</u>	
	<u>-12453</u>	

Draft account for this year not available.

As at 30 September, 5029 members

Recovery rate estimated to be 91%

Kundasale Community Development Foundation

Income and Expenditure Statement

Credit Programme

Operating Income

Interest Income	92765	
Savings Income	<u>16150</u>	
		108915

Operating Expenses

Interest expenses	44188	Savings interest payt	
Loan loss provision	0		
Bank charges	1400		
Personnel expenses	722502	Estimate	10% of total
Consultancy Income			
Depreciation	4218		10 % of 42187
Stationery	23400		
Fuel			
Postage			
Refreshment			

795708

Net Operating Income -686793

Non-operationl Income

Insurance

Stationery

NDTF Salary	<u>722502</u>	<u>722502</u>
		<u>35709</u>

Kundasale Community Development Foundation
Balance Sheet As At 31 March 1996

Fixed Assets;

Current Asset

Loans	3806444	Cumulative? O/s as at Sept 30, Rs.2.008M
Staff Loans	8327	
Bad debt provision	0	No provision
Cash at Bank	929512	
Cash in Hand	<u>81531</u>	
	4825815	

Current Liabilities

Overdraft	91204	
Interest payable	44231	
Sundry creditors	19615	
Savings	<u>3929819</u>	Cumulative O/s as at Sept 1.968m
	<u>4084868</u>	

Net Current Assets **740947**

Finance by

NDTF Loan	301938
Shares	15780
Accumulated fund	2409227
Income and Expenditure	35709
Adjustment	<u>-2021707</u>
	<u>740947</u>

Draft account for this year not available.

As at 30 September, 921 borrowers (total membership 18,519)

Recovery rate estimated to be 90%

SAMADEEPA SAMAJA KENDRAYA**Income and Expenditure Statement for the Year ending 31 December 1996***(reconstructed)***Operating Income**

Interest Income 792845 On accrual basis.

Savings Income 71110

863955

Operating Expenses

Interest expenses 50921 Estimate as nopayt made

Loan loss provision 25000 Not sufficient at 65% recovery

Bank charges

Personnel expenses 144000

Telephone 4800

Rent 6000

Stationery 6000

Fuel/travelling 25000

Training 12000

Printing 12000

Audit fees 2500288221

Net Operating Income 575734

Non-operational Income

Insurance

Stationery

Other receipts

Membership Fee 41890 Apportioned over 920 loanees

NDTF Salary 0**Total Net operational income** **617624**

Balance Sheet As At 31st December 1996

Fixed Assets

Current Asset

Loans	3288187	
Bad debt provision	-25000	
Sundry debtors	175839	
Cash at Bank	1115790	
Cash in Hand	<u>214905</u>	
		4769721

Current Liabilities

Deposits	509251	
Other funds	877519	
Accrued expenses	680177	
NDTF	129300	
		<u>2196247</u>
Net Current Assets		<u>2573474</u>
Net Total Assets		<u>2573474</u>

Finance by

Funds and reserves	6779454
Income and Expenditure	967109
Adjustments	<u>-5173089</u>
	<u>2573474</u>

Draft account for this year not available.

As at 30 September, 5029 members

Recovery rate estimated to be 65%

National Association of Social Animators
Financial Year ending 31 Decembr1996
Income and Expenditure Statement
Credit Programme

Operating Income

Interest Income	406344
-----------------	--------

Operating Expenses

Interest expenses	96860	
Loan loss provision	763385	50% of portfolio. Recovery rate 45%
Bank charges	2450	
Personnel expenses	30316	
Stationery	15857	
Fuel	17000	
Postage	600	
Salaries	240000	
Allowances	30317	
Rent	61600	
Miscellaneous	47677	
Audit fees	<u>1500</u>	<u>1307562</u>

Net Operating Income	-901218
Non-operationl Income	173296
NDTF Salary	<u>240000</u>
Total Net operational income	<u>-487922</u>

National Association of Social Animators
Balance Sheet As At 31December 1996

Fixed Assets; 422757

Current Asset

Loans	1526770	
Staff Loans	1083410	
Bad debt provision	-763385	
Receivables	304782	
Cash at Bank	335133	
Cash in Hand	<u>930</u>	2487640

Current Liabilities

Short Term Loans	299725	
Creditors(Accrued Expenses)	564372	
Savings	771760	
NDTF	<u>84311</u>	<u>1720168</u>
Net Current Assets		<u>767472</u>
Total Assets less Current Liabilities		<u>1190229</u>

Finance by

Lond Term Loan (NDTF)	489685
Accumulated Fund	-763916
Investment Society	146559
Adjustment	<u>1317901</u>
	<u>1190229</u>

Draft account for this year not available.
 As at 30 September, 150 borrowers
 Recovery rate estimated to be 45%

Sabaragamu Janatha Padanama

Income and Expenditure Statement (for the year ending March 31, 1996)

Credit Programme

Operating Income

Interest Income	33398	
Other income (Pass Books)	<u>11484</u>	
		44882

Operating Expenses

Interest expenses	8181	
Loan loss provision		
Personnel expenses	278000	
Rent	20000	
Stationery	39839	
Travelling	10000	
Postage	<u>1000</u>	<u>357020</u>
		-312138

Net Operating Income

NDTF Salary	278000	
Rent	<u>20000</u>	<u>298000</u>
		<u>-14138</u>

Draft account for this year not available.

As at 30 September, 921 borrowers (total membership 18,519)

Recovery rate estimated to be 90%

What happened to Savings and credit portfolios in the current year???

Sabaragamu Janatha Padanama

Balance Sheet As At 31 March 1996

Fixed Assets;

Current Asset

Loans	268486
Bad debt provision	0
Interest Receivable	18049

Other Receivables	4610	
Cash at Bank	25336	
Cash in Hand	<u>117765</u>	434246

Current Liabilities

Overdraft		
Interest payable		
Sundry creditors	4008	
Savings	<u>222657</u>	<u>226665</u>
Net Current Assets		<u>207581</u>

Finance by

Income and Expenditure	-14138	
NDTF Loan	80860	
SJP Share	2000	
Members Share	114696	
Adjustments	<u>24163</u>	
	<u>207581</u>	

Draft account for this year not available.

As at 30 September, 921 borrowers (total membership 18,519)

Recovery rate estimated to be 90%

ANNEX II

PEOPLE INTERVIEWED People Interviewed for the Study

Sri Lanka Business Development Center

Mr. J. Charitha Ratwatte, Managing Director

USAID/Colombo

Mr. Mahinda Guasekera, Project Management Specialist

Mr. Richard Nushihara, Head, Economic Growth Dept

Nation Builders Association, Kundasale

Mr. M.B. Adikaram, Chairman

Ms. U. Udugama, Executive Director

Mr. Upali Walgampaya, Credit Manager.

Kundasale Community Development Foundation

Mr. A.K. Basnayake President

Mr. Lal Abeykoon, Credit Manager

Mr. Sama Heenkenda, Area coordinator

Sewa Lanka Foundation - Head Office

Mr. Mahinda De Silva, Consultant

Mr. Aruna De Alwis, Credit Manager

Mr. Rohitha Weerasinghe, Finance Manager

Sewa Lanka Foundation - Anuradhapura District

Mr. Bandara Basnayake, District Director - Anuradhapura

Mr. Nawaratne Dissnayake, District Credit Manager

Mr. Anura ilangasinghe, Divisional Coordinator

Mr. T.B. Wijesinghe, Manager - Small Business Development

Mr. Sarath Ranawake, Manager - Small Business Development

Samadeepa Samaja Kendra

Mr. Chandraratne Bandara - Chairman/Field Director

Mr. Nishantha Ramanayake, Credit Coordinator

Mr. P.M.G.Bandara, Treasurer

Sri Lanka Gramashakthi Development Foundation

Ms. H.B. Mangalika, President

Ms. Indrani Ratnayake, Finance Manager

Shanthi Nikethanaya, Matale

Ms. Geethani Koarakagoda, President

R.M. Samarakoon, Credit Manager

National Association for Social Advancement, Mahara

Mr. A. Wettasinghe, President

Account clerk, Credit Program

Sabaragamu Janatha Padanama, Nivitigala

Mr. Nandasena, Director

Mr. Prassanna Ruwan, Program Coordinator

M. Chandrika Kusumkanthi, Accounts Clerk

ANNEX III

NGOs WHO EXPRESSED INTEREST TO PARTICIPATE IN THE STUDY

ANNEX IV

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4. Otero, Maria and Elisabeth Rhyne, editors. The New World of Micro Finance. Kumarain Press, 1994.